

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature			Date	

COHOCTAH TOWNSHIP

ANNUAL FINANCIAL  
REPORT

FOR THE YEAR ENDED MARCH 31, 2005

## **COHOCTAH TOWNSHIP**

### **TOWNSHIP OFFICIALS**

Supervisor - Mark Fosdick  
Treasurer - Tami Bock  
Clerk - Karen Thurner

### **TOWNSHIP BOARD OF TRUSTEES**

Tami Bock  
Mark Fosdick  
Ronald Smith  
Karen Thurner  
William Thurner

### **TOWNSHIP ATTORNEYS**

Miller, Kehoe & Associates

### **TOWNSHIP AUDITORS**

Pfeffer, Hanniford & Palka  
Certified Public Accountants

## TABLE OF CONTENTS

### PAGE NUMBER

INDEPENDENT AUDITORS' REPORT	
MANAGEMENT DISCUSSION AND ANALYSIS	7
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Assets	14
Statement of Activities	15
FUND FINANCIAL STATEMENTS	
Balance Sheet - Governmental Fund	17
Reconciliation of Statement of Net Assets of Governmental Fund to the Balance Sheet	18
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	19
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Fund to the Statement of Activities	20
NOTES TO FINANCIAL STATEMENTS	22
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
General Fund - Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	33
<u>SUPPLEMENTARY INFORMATION</u>	
Combining Balance Sheet - All Agency Funds	35
GENERAL FUND	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	36
Statement of Revenues - Budget and Actual	37
Statement of Expenditures - Budget and Actual	38



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**PFEFFER ■ HANNIFORD ■ PALKA**  
*Certified Public Accountants*

**John M. Pfeffer, C.P.A.**  
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August 30, 2005

Board of Trustees  
Cohoctah Township  
P.O. Box 278  
Cohoctah, Michigan 48816

**INDEPENDENT AUDITORS' REPORT**

Honorable Board of Trustees:

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of Cohoctah Township, as of and for the year ended March 31, 2005, which collectively comprise of Cohoctah Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Cohoctah Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Cohoctah Township, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model as required by the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of March 31, 2005.

The Management's Discussion and Analysis and other required supplementary information on pages 7 through 11 and 33 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cohoctah Township's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, such as the combining statements, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.

*Pfeffer, Hanniford & Palka, P.C.*

PFEFFER, HANNIFORD & PALKA  
Certified Public Accountants

MANAGEMENT DISCUSSION  
AND  
ANALYSIS

## Management Discussion and Analysis March 31, 2005

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Within this section of Cohoctah Township's annual financial report, the Township's management is providing a narrative discussion and analysis of the financial activities of the Township for the fiscal year ended March 31, 2005. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Township's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

### Overview of the Financial Statements

Management's Discussion and Analysis introduces the Township's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. The Township also includes in this report additional information to supplement the basic financial statements.

### ***Government-wide Financial Statements***

The Township's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the Township's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the Township-wide statement of position presenting information that includes all the Township's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township as a whole is improving or deteriorating. Evaluation of the overall health of the Township may extend to various nonfinancial factors as well.

The second government-wide statement is the Statement of Activities which reports how the Township's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Township's distinct activities or functions on the revenues generated by the Township.

Governmental activities include such activities as general government, public safety, and planning and zoning departments. Fiduciary activities such as tax collection are not included in the government-wide statements since these assets are not available to fund Township programs.



The Township's financial reporting includes all the funds of the Township (primary government) and, additionally, organizations for which the Township is accountable (component units).

### ***Fund Financial Statements***

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Township uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Township's most significant funds rather than the Township as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the combining statements later in this report.

The Township has two kinds of funds:

*Governmental funds* are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net assets.

*Fiduciary funds* are reported in the fiduciary fund financial statements, but are excluded from the government-wide statements. Fiduciary fund financial statements report resources that are not available to fund Township activities.

### ***Notes to the financial statements***

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

### ***Other information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers, and payments within the reporting entity.

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

### Financial Analysis of the Township as a Whole

The Township has implemented the new financial reporting model used in this report beginning with the current fiscal year ended March 31, 2005. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the Township as a whole.

The Township's net assets at the end of the fiscal year were \$1,077,830. This is an \$186,692 increase over last year's net assets of \$891,138.

The following tables provide a summary of the Township's financial activities and changes in net assets:

### **Summary of Net Assets**

	Governmental Activities
Current and other assets	\$ 730,616
Capital assets	394,564
Total assets	<u>1,125,180</u>
Accounts payable	13,331
Land contract payable	34,019
Total liabilities	<u>47,350</u>
Net assets:	
Invested in capital assets, net of related debt	360,545
Unrestricted	717,285
Total net assets	<u><u>\$ 1,077,830</u></u>

## Summary of Changes in Net Assets

	Governmental Activities
Revenues:	
Program revenues	
Charges for services	\$ 170,331
Operating grant	1,642
General revenues	
State shared revenues	228,102
Property taxes	246,052
Interest income	1,759
Rental income	12,050
Other income	2,975
<b>Total revenues</b>	<u>662,911</u>
Expenses	
General government	159,409
Fire protection	2,723
Community development	5,699
Refuse	120,854
Cemetery	15,820
Public works	169,221
Interest on long-term debt	2,493
<b>Total expenses</b>	<u>476,219</u>
Changes in net assets	186,692
Beginning net assets	<u>891,138</u>
Ending net assets	<u><u>\$ 1,077,830</u></u>

The Township was able to add \$186,915 to its fund balance as opposed to \$123,831 from the prior fiscal year. This increase can be primarily attributed to the increase of taxes collected for roads. Previously, the Board had only collected one mill of the voted 1.5 mills. The increase is also due to the Board's fiscally conservative budgeting process.

#### Financial Analysis of the Township's Funds

Cohoctah Township has only one fund which reports all activity conducted by the Township, the General Fund.

#### General Fund Budgetary Highlights

The Township approved a budget prior to the start of the fiscal year, and made immaterial amendments during the year to bring it closer to economic reality. However, expenditures exceeded appropriations in the refuse collection and library activities.

#### Capital Asset and Debt Administration

The Township paid \$2,900 of principal and \$2,493 of interest to repay a land contract held for the purpose of acquiring land for the Township's fire hall. This loan calls for monthly payments of \$449.41 and matures in July 2013.

The Township did not purchase or acquire any capital assets during the year. Total depreciation expense for all governmental activities totaled \$3,123 for the year ended March 31, 2005.

#### Economic Conditions and Future Activities

Anticipated future decreases in state revenue sharing could have a substantial effect on operations for subsequent periods. The Township is seeking to purchase land for a future Township Hall. When purchased, this will have an impact on the Township's equity.

#### Contacting the Township's Financial Management

This report is designed to provide a general overview of the Township's financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information please contact Cohoctah Township at P.O. Box 278, Cohoctah, Michigan, 48816.

BASIC  
FINANCIAL  
STATEMENTS

GOVERNMENT-WIDE  
FINANCIAL  
STATEMENTS

COHOCTAH TOWNSHIP  
STATEMENT OF NET ASSETS  
MARCH 31, 2005

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 667,996
Receivables	
Taxes	23,254
State shared revenues	36,011
Accounts	2,821
Intergovernmental	534
Capital assets	
Land	271,001
Buildings and improvements	145,135
Equipment	6,000
Less: accumulated depreciation	<u>(27,572)</u>
Total assets	<u>1,125,180</u>
<b>LIABILITIES</b>	
Accounts payable	13,331
Land contract payable	
Current portion	3,110
Non-current portion	<u>30,909</u>
Total liabilities	<u>47,350</u>
<b>NET ASSETS</b>	
Investment in capital assets, net of related debt	360,545
Unrestricted	<u>717,285</u>
Total net assets	<u><u>\$ 1,077,830</u></u>

The accompanying notes are an integral part of these financial statements.

COHOCTAH TOWNSHIP  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2005

	<u>Program Revenues</u>			
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Total</u>
GOVERNMENTAL ACTIVITIES				
General government	\$ (159,409)	\$ 46,444	\$	\$ (112,965)
Fire protection	(2,723)	1,979		(744)
Community development	(5,699)			(5,699)
Refuse	(120,854)	112,057	1,642	(7,155)
Cemetery	(15,820)	9,851		(5,969)
Public works	(169,221)			(169,221)
Interest on long-term debt	<u>(2,493)</u>			<u>(2,493)</u>
Total governmental activities	<u>\$ (476,219)</u>	<u>\$ 170,331</u>	<u>\$ 1,642</u>	<u>(304,246)</u>
General Revenues:				
Property taxes				246,052
State shared revenues				228,102
Unrestricted investment earnings				1,759
Rental income				12,050
Other income				<u>2,975</u>
Total general revenues				<u>490,938</u>
Change in net assets				186,692
Net assets, April 1, 2004				<u>891,138</u>
Net assets, March 31, 2005				<u>\$ 1,077,830</u>

The accompanying notes are an integral part of these financial statements.



FUND  
FINANCIAL  
STATEMENTS

COHOCTAH TOWNSHIP  
BALANCE SHEET  
GOVERNMENTAL FUND  
MARCH 31, 2005

	<u>General</u>
 <u>ASSETS</u>	
ASSETS	
Cash and investments	\$ 667,996
Taxes receivable	23,254
State shared revenue receivable	36,011
Due from others	2,821
Due from other fund	<u>534</u>
Total assets	<u>\$ 730,616</u>
 <u>LIABILITIES AND FUND BALANCE</u>	
LIABILITIES	
Accounts payable	\$ 12,438
Due to others	<u>893</u>
Total liabilities	13,331
FUND BALANCE - UNRESERVED	<u>717,285</u>
Total liabilities and fund balance	<u>\$ 730,616</u>

The accompanying notes are an integral part of these financial statements.

COHOCTAH TOWNSHIP  
RECONCILIATION OF STATEMENT OF NET ASSETS  
OF GOVERNMENTAL FUND TO THE BALANCE SHEET  
MARCH 31, 2005

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balance per balance sheet		\$ 717,285
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund:		
Historical cost	\$ 422,136	
Depreciation	<u>(27,572)</u>	
Capital assets, net of depreciation		394,564
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:		
Land contract payable		<u>(34,019)</u>
Net assets of governmental activities		<u>\$ 1,077,830</u>

The accompanying notes are an integral part of these financial statements.

COHOCTAH TOWNSHIP  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED MARCH 31, 2005

	General Fund
REVENUES	
Taxes - operating	\$ 92,669
Taxes - road	153,383
Licenses and permits	13,510
State shared revenues	228,102
Charges for services	156,821
Interest	1,759
Miscellaneous	<u>16,667</u>
Total revenues	<u>662,911</u>
EXPENDITURES	
Township board	26,545
Supervisor	10,007
Election	4,707
Attorney	5,767
Assessor	27,087
Clerk	16,073
Board of review	1,386
Treasurer	21,705
Cemetery	15,820
Buildings and grounds	7,435
Public safety - fire	5,393
Roads	158,937
Planning commission	22,166
Drains at large	6,549
Streetlights	3,735
Trash pick up	120,854
Recreation	4,560
Library	1,139
Insurance and bonds	14,012
Unallocated	1,009
Contingencies	<u>1,110</u>
Total expenditures	<u>475,996</u>
Excess of revenues over expenditures	186,915
FUND BALANCE, APRIL 1, 2004	<u>530,370</u>
FUND BALANCE, MARCH 31, 2005	<u><u>\$ 717,285</u></u>

The accompanying notes are an integral part of these financial statements.

**PFEFFER, HANNIFORD & PALKA**

*Certified Public Accountants*

COHOCTAH TOWNSHIP  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2005

Amounts reported for governmental activities in the Statement  
of Activities are different because:

Net change in fund balance - governmental fund	\$ 186,915
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their useful lives as depreciation expense.	
Depreciation expense	(3,123)
Repayment of land contract payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	
Repayment of:	
Land contract payable	<u>2,900</u>
Change in net assets of governmental activities	<u>\$ 186,692</u>

The accompanying notes are an integral part of these financial statements.

NOTES  
TO  
FINANCIAL  
STATEMENTS

COHOCTAH TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Cohoctah Township conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

A. BASIC FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the Township as a whole, excluding fiduciary activities. Governmental fund types are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

The government-wide Statement of Net Assets reports all financial and capital resources of the Township (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally, the Township would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Township are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expense between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

COHOCTAH TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Also, part of the basic financial statements are fund financial statements for the governmental funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures of fund category and of the governmental funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds are combined in a single column on the fund financial statements.

The Township reports the following major governmental fund:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The governmental fund financial statements are prepared on a modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, licenses, fees and permits, intergovernmental revenues, charges for services and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as another financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balances as a measure of available spendable resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Township's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.



COHOCTAH TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary funds account for assets held by the Township in a trustee or agency capacity on behalf of others and, therefore, are not available to support Township programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the Township available to support Township programs.

C. BUDGETARY DATA

The Township's original budget was adopted prior to April 1, 2004. A budget was adopted for the general fund. Amendments made during the fiscal year are reflected in the budget column.

The Township adopts its budget by functional activity which is the level of classification detail at which expenditures may not legally exceed appropriations.

D. PROPERTY TAX REVENUE RECOGNITION

The Township property tax is levied each December 1 on the taxable value of property located in the township as of the preceding December 31. Assessed values are established annually by the county and are equalized by the state at an estimated 50 percent of current market value. Real and personal property in the township for the 2004 levy was assessed and equalized at \$105,171,784, representing 50 percent of estimated current market value. Taxes are due and payable by February 28. Delinquent real property taxes are returned to the County Treasurer for collection. Information related to the 2004 tax levy is as follows:

	<u>Millage Rate</u>
Township Operations	\$ .8812
Roads	<u>1.4585</u>
Total township millage	<u>\$ 2.3397</u>

Michigan personal property tax assessments have been based, since the 1960's, on the use of one or more of several different multiplier tables formulated by the State Tax Commission against taxpayer reported original cost, depending on the assessor's view of the average life of the personal property. The State Tax Commission has indicated that it plans to reformulate the multipliers. The State Tax Tribunal has informally indicated that once the new multipliers are approved, it may allow them to be applied retroactively in pending personal property tax appeals.

COHOCTAH TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. CAPITAL ASSETS

Under GASB Statement No. 34, all capital assets whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Land is considered a capital asset regardless of initial cost. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings, structures and improvements	10 to 50 years
Machinery and equipment	5 to 40 years

Any capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation), as of the date of the transfer.

F. MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

COHOCTAH TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. CASH AND CASH EQUIVALENTS

The Township considers its deposits and restricted deposits and investments held with maturities of three months or less are considered to be cash equivalents.

I. INCOME TAXES

As a governmental agency, the Township is exempt from both federal income taxes and Michigan Single Business Tax.

NOTE 2 - FINANCIAL REPORTING ENTITY

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 39, certain other governmental organizations are not considered to be part of the reporting entity for financial statement purposes.

The criteria established by GASB Statement No. 39 for various governmental organizations to be included in the reporting entity's financial statements include accountability, control, and significant financial relationships.

The accompanying financial statements of Cohoctah Township as of March 31, 2005, include any and all boards, agencies, funds and account groups under the jurisdiction of the Cohoctah Township Board.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the governmental funds for the year ended March 31, 2005 was as follows:

	Balance 4/1/04	<u>Additions</u>	<u>Subtractions</u>	Balance 3/31/05
Land	\$ 271,001	\$	\$	\$ 271,001
Building and improvements	145,135			145,135
Equipment	<u>6,000</u>	<u>          </u>	<u>          </u>	<u>6,000</u>
Total capital assets	422,136			422,136
Accumulated depreciation	<u>(24,449)</u>	<u>(3,123)</u>	<u>          </u>	<u>(27,572)</u>
Governmental activities capital assets, net	<u>\$ 397,687</u>	<u>\$ (3,123)</u>	<u>\$</u>	<u>\$ 394,564</u>

COHOCTAH TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005

NOTE 3 - CAPITAL ASSETS (continued)

There was \$34,019 of debt outstanding for these capital assets at March 31, 2005. Depreciation expense is being recorded in the government-wide statement of activities based upon the activity utilizing the assets. The Township uses the straight line method to depreciate capital assets over their estimated useful lives.

Depreciation expense was allocated to the following activities:

General government	\$ 400
Fire protection	<u>2,723</u>
Total	<u>\$ 3,123</u>

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables exist at March 31, 2005. These represent short-term borrowings and amounts owed for reimbursements between other funds. The total interfund receivable and payable balance at March 31, 2005 is \$534.

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 388	Trust and agency	\$ 388
General	<u>146</u>	Current tax	<u>146</u>
	<u>\$ 534</u>		<u>\$ 534</u>

COHOCTAH TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005

**NOTE 5 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit union, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal Agency obligation repurchase agreements; bankers acceptance of United States banks, commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Township's deposits are in accordance with statutory authority.

<u>Deposits</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 152,393	\$ 152,393
Uninsured and uncollateralized	<u>522,384</u>	<u>569,442</u>
Total deposits	<u>\$ 674,777</u>	<u>\$ 721,835</u>
Carrying amounts includes:		
Primary government	\$ 667,996	
Fiduciary funds	<u>6,781</u>	
	<u>\$ 674,777</u>	

COHOCTAH TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005

**NOTE 6 - AGREEMENT TO LEASE COHOCTAH TOWNSHIP FIRE SUB-STATION**

Cohoctah Township entered into a lease agreement to lease space to the Howell Area Fire Authority in the Cohoctah Township Fire Sub-station. The Authority is responsible for its operating expenses such as utilities, maintenance and repairs and replacements. Total income from rental operations totaled \$12,000.

**NOTE 7 - GOVERNMENTAL FUND - LONG-TERM DEBT**

Cohoctah Township signed a land contract due to Frederick L. Buckner for the purchase of land for the fire hall. The monthly payment is \$449.41. Interest is charged at a rate of 7% per annum with the loan maturing July 7, 2013.

A summary of this long-term obligation as of March 31, 2005, and transactions during the year then ended are as follows:

	Balance at 4/1/04	Increase	Decrease	Balance at 3/31/05
Land contract payable land - Fred Buckner	\$ 36,919	\$	\$ 2,900	\$ 34,019

The following is a schedule of principal and interest payments to service the long-term obligations of the township:

	Land Contract Payable - Frederick L. Buckner		
	Principal	Interest	Total
4/1/2005 - 3/31/2006	\$ 3,110	\$ 2,283	\$ 5,393
4/1/2006 - 3/31/2007	3,335	2,058	5,393
4/1/2007 - 3/31/2008	3,576	1,817	5,393
4/1/2008 - 3/31/2009	3,834	1,558	5,393
4/1/2009 - 3/31/2010	4,112	1,281	5,393
4/1/2010 - 3/31/2011	4,409	984	5,393
4/1/2011 - 3/31/2012	4,728	665	5,393
4/1/2012 - 3/31/2013	5,069	323	5,393
4/1/2013 - 3/31/2014	1,846	29	1,873
Totals	\$ 34,019	\$ 10,998	\$ 45,017

COHOCTAH TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005

NOTE 8- RECONCILIATION OF FUND FINANCIAL STATEMENTS  
TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balance per balance sheet		\$ 717,285
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund:		
Historical cost	\$ 422,136	
Depreciation	<u>(27,572)</u>	
Capital assets, net of depreciation		394,564
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:		
Land contract payable		<u>(34,019)</u>
Net assets of governmental activities		<u>\$ 1,077,830</u>

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - governmental fund	\$ 186,915
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their useful lives as depreciation expense.	
Depreciation expense	(3,123)
Repayment of land contract payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	
Repayment of:	
Land contract payable	<u>2,900</u>
Change in net assets of governmental activities	<u>\$ 186,692</u>

COHOCTAH TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005

NOTE 9 - CONTINGENCIES

The Township is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material effect upon the financial position of the Township.

NOTE 10 - IMPLEMENTATION OF GASB STATEMENT NO. 34

The Township has implemented the standards required by GASB Statement No. 34 for the year ended March 31, 2005. All required statements and disclosures have been included in the basic financial statements.



REQUIRED  
SUPPLEMENTARY  
INFORMATION

COHOCTAH TOWNSHIP  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2005

	Original Budget	Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Taxes - operating	\$	\$	\$ 92,669	\$
Taxes - road			153,383	
Licenses and permits			13,510	
State shared revenues			228,102	
Charges for services			156,821	
Interest			1,759	
Miscellaneous			16,667	
Total revenues	<u>634,600</u>	<u>634,600</u>	<u>662,911</u>	<u>28,311</u>
EXPENDITURES				
Township board	34,050	34,050	26,545	7,505
Supervisor	11,010	11,010	10,007	1,003
Election	4,500	4,900	4,707	193
Attorney	12,000	12,000	5,767	6,233
Assessor	28,500	28,500	27,087	1,413
Clerk	16,120	16,320	16,073	247
Board of review	1,700	1,700	1,386	314
Treasurer	23,800	23,800	21,705	2,095
Cemetery	21,650	21,650	15,820	5,830
Buildings and grounds	24,910	24,910	7,435	17,475
Public safety - fire	5,500	5,500	5,393	107
Roads	200,000	200,000	158,937	41,063
Planning and zoning	22,800	22,800	22,166	634
Drains at large	14,000	14,000	6,549	7,451
Streetlights	4,000	4,000	3,735	265
Trash pick up	115,000	121,000	120,854	146
Recreation	18,200	18,200	4,560	13,640
Library	700	1,150	1,139	11
Insurance and bonds	14,000	14,012	14,012	
Unallocated	415,860	415,860	1,009	414,851
Contingencies	<u>52,300</u>	<u>45,238</u>	<u>1,110</u>	<u>44,128</u>
Total expenditures	<u>1,040,600</u>	<u>1,040,600</u>	<u>475,996</u>	<u>564,604</u>
Excess of revenues over (under) expenditures	(406,000)	(406,000)	186,915	592,915
FUND BALANCE, APRIL 1, 2004	<u>530,370</u>	<u>530,370</u>	<u>530,370</u>	
FUND BALANCE, MARCH 31, 2005	<u>\$ 124,370</u>	<u>\$ 124,370</u>	<u>\$ 717,285</u>	<u>\$ 592,915</u>

SUPPLEMENTARY  
INFORMATION

COHOCTAH TOWNSHIP  
COMBINING BALANCE SHEET  
ALL AGENCY FUNDS  
MARCH 31, 2005

	<u>Current Tax Collection Fund</u>	<u>Trust and Agency Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ <u>1,393</u>	\$ <u>5,388</u>	\$ <u>6,781</u>
 <u>LIABILITIES</u>			
Liabilities			
Due to others	\$ 1,247	\$ 5,000	\$ 6,247
Due to other funds	<u>146</u>	<u>388</u>	<u>534</u>
Total liabilities	<u>\$ 1,393</u>	<u>\$ 5,388</u>	<u>\$ 6,781</u>

COHOCTAH TOWNSHIP  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Taxes - operating	\$	\$ 92,669	\$
Taxes - road		153,383	
Licenses and permits		13,510	
State shared revenues		228,102	
Charges for services		156,821	
Interest		1,759	
Miscellaneous		16,667	
	<u>634,600</u>	<u>662,911</u>	<u>28,311</u>
Total revenues			
EXPENDITURES			
Township board	34,050	26,545	7,505
Supervisor	11,010	10,007	1,003
Election	4,900	4,707	193
Attorney	12,000	5,767	6,233
Assessor	28,500	27,087	1,413
Clerk	16,320	16,073	247
Board of review	1,700	1,386	314
Treasurer	23,800	21,705	2,095
Cemetery	21,650	15,820	5,830
Buildings and grounds	24,910	7,435	17,475
Public safety - fire	5,500	5,393	107
Roads	200,000	158,937	41,063
Planning and zoning	22,800	22,166	634
Drains at large	14,000	6,549	7,451
Streetlights	4,000	3,735	265
Trash pick up	121,000	120,854	146
Recreation	18,200	4,560	13,640
Library	1,150	1,139	11
Insurance and bonds	14,012	14,012	
Unallocated	415,860	1,009	414,851
Contingencies	45,238	1,110	44,128
	<u>1,040,600</u>	<u>475,996</u>	<u>564,604</u>
Total expenditures			
Excess of revenues over (under) expenditures	(406,000)	186,915	592,915
FUND BALANCE, APRIL 1, 2004	<u>530,370</u>	<u>530,370</u>	
FUND BALANCE, MARCH 31, 2005	<u>\$ 124,370</u>	<u>\$ 717,285</u>	<u>\$ 592,915</u>

COHOCTAH TOWNSHIP  
GENERAL FUND  
STATEMENT OF REVENUES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
TAXES	<u>\$ 88,500</u>	<u>\$ 92,669</u>	<u>\$ 4,169</u>
ROAD MILLAGE	<u>144,500</u>	<u>153,383</u>	<u>8,883</u>
LICENSES AND PERMITS	<u>14,500</u>	<u>13,510</u>	<u>(990)</u>
STATE SHARED REVENUES	<u>236,000</u>	<u>228,102</u>	<u>(7,898)</u>
CHARGES FOR SERVICES			
Right of Way		3,659	
Trash pick up		112,057	
Fire runs		1,979	
Administration fees		26,454	
Burial service and cemetery plots		9,851	
Tax collection fee		<u>2,821</u>	
Total charges for services	<u>131,500</u>	<u>156,821</u>	<u>25,321</u>
INTEREST	<u>3,600</u>	<u>1,759</u>	<u>(1,841)</u>
MISCELLANEOUS			
Solid waste grant		1,642	
Rent - Fire Hall		12,050	
Other		<u>2,975</u>	
Total miscellaneous	<u>16,000</u>	<u>16,667</u>	<u>667</u>
Total revenues	<u>\$ 634,600</u>	<u>\$ 662,911</u>	<u>\$ 28,311</u>

COHOCTAH TOWNSHIP  
GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
TOWNSHIP BOARD			
Fees	\$	\$ 2,900	\$
Secretary wages		7,629	
Supplies		1,778	
Contracted services		2,575	
Newsletter		994	
Conferences		1,700	
Publishing		2,959	
Dues		2,010	
Accounting		4,000	
Total township board	<u>34,050</u>	<u>26,545</u>	<u>7,505</u>
SUPERVISOR			
Salary		10,000	
Supplies		7	
Total supervisor	<u>11,010</u>	<u>10,007</u>	<u>1,003</u>
ELECTION			
Fees		3,077	
Supplies		1,265	
Publishing		365	
Total election	<u>4,900</u>	<u>4,707</u>	<u>193</u>
ATTORNEY	<u>12,000</u>	<u>5,767</u>	<u>6,233</u>
ASSESSOR			
Contracted services		25,200	
Supplies		1,887	
Total assessor	<u>28,500</u>	<u>27,087</u>	<u>1,413</u>
CLERK			
Salary		10,000	
Deputy wages		4,520	
Mileage		42	
Supplies		1,511	
Total clerk	<u>16,320</u>	<u>16,073</u>	<u>247</u>

COHOCTAH TOWNSHIP  
GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
(continued)  
FOR THE YEAR ENDED MARCH 31, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
BOARD OF REVIEW			
Fees		1,152	
Publishing		<u>234</u>	
Total board of review	<u>1,700</u>	<u>1,386</u>	<u>314</u>
TREASURER			
Salary		15,000	
Deputy		1,811	
Mileage		505	
Supplies		2,299	
Contracted services		<u>2,090</u>	
Total treasurer	<u>23,800</u>	<u>21,705</u>	<u>2,095</u>
CEMETERY			
Clerical wages		179	
Supplies		8	
Lawn care		6,350	
Grave opening		7,007	
Repair and maintenance		<u>2,276</u>	
Total cemetery	<u>21,650</u>	<u>15,820</u>	<u>5,830</u>
BUILDINGS AND GROUNDS			
Wages		993	
Supplies		105	
Telephone		2,366	
Utilities		1,796	
Repairs and maintenance		637	
Improvement		<u>1,538</u>	
Total buildings and grounds	<u>24,910</u>	<u>7,435</u>	<u>17,475</u>



COHOCTAH TOWNSHIP  
GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
(continued)  
FOR THE YEAR ENDED MARCH 31, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
PUBLIC SAFETY - FIRE			
Debt repayment - principal		2,900	
Debt repayment - interest		<u>2,493</u>	
Total public safety - fire	<u>5,500</u>	<u>5,393</u>	<u>107</u>
ROADS			
Road - repairs and maintenance		42,561	
Dust control		<u>116,376</u>	
Total roads	<u>200,000</u>	<u>158,937</u>	<u>41,063</u>
PLANNING COMMISSION			
Wages		6,675	
Fees		2,870	
Mileage		798	
Supplies		707	
Publishing		<u>11,116</u>	
Total planning commission	<u>22,800</u>	<u>22,166</u>	<u>634</u>
DRAINS AT LARGE	<u>14,000</u>	<u>6,549</u>	<u>7,451</u>
STREETLIGHTS	<u>4,000</u>	<u>3,735</u>	<u>265</u>
TRASH PICK UP	<u>121,000</u>	<u>120,854</u>	<u>146</u>
RECREATION	<u>18,200</u>	<u>4,560</u>	<u>13,640</u>
LIBRARY	<u>1,150</u>	<u>1,139</u>	<u>11</u>
INSURANCE AND BONDS	<u>14,012</u>	<u>14,012</u>	
UNALLOCATED	<u>415,860</u>	<u>1,009</u>	<u>414,851</u>
CONTINGENCIES	<u>45,238</u>	<u>1,110</u>	<u>44,128</u>
Total expenditures	<u>\$ 1,040,600</u>	<u>\$ 475,996</u>	<u>\$ 564,604</u>

COHOCTAH TOWNSHIP

COMMENTS  
AND  
RECOMMENDATIONS

FOR THE YEAR ENDED MARCH 31, 2005

August 30, 2005

Board of Trustees  
Cohoctah Township  
P.O. Box 278  
Cohoctah, Michigan 48816

Honorable Board of Trustees:

In planning and performing our audit of the financial statements of Cohoctah Township for the year ended March 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

During our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. Those matters are as follows:

1. COMMENT

As of March 31, 2005, the following interfund receivables and payables were outstanding

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 534	\$
Current Tax Collection Fund		146
Trust and agency		388

RECOMMENDATION

The aforementioned interfund receivables and payables should be paid as soon as feasibly possible.

2. COMMENT

Currently the Township is paying on a land contract at 7% interest.

RECOMMENDATION

With interest rates what they are and a small balance left on the contract the Township may wish to consider paying it off.

This letter does not affect our report dated August 5, 2005 on the financial statements of Cohoctah Township.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and recommendations with various township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is solely for the information and use of the Board of Trustees, and management of Cohoctah Township.

*Pfeffer, Hanniford & Palka, P.C.*

PFEFFER, HANNIFORD & PALKA  
Certified Public Accountants